RECORD AND BRIEFS

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In the Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC,
Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, ET AL.,
Respondents.

On Writ of Certiorari to the United States Circuit Court for the Federal Circuit

BRIEF OF *AMICUS CURIAE*, BOSTON PATENT LAW ASSOCIATION (BPLA), IN SUPPORT OF NEITHER PARTY

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INTEREST OF THE BOSTON PATENT LAW ASSOCIATION

Founded in 1924, the Boston Patent Law Association ("BPLA") is a nonprofit association that includes more than 1000 attorneys, law students, technology specialists, and other professionals whose interests and practices are dedicated to the advancement of the intellectual property profession. The BPLA's members serve a broad range of parties who rely on the patent system, including, for example, inventors and innovators, authors and creators, businesses large and small, investment and venture capital professionals, and universities and research institutions. Thus, the BPLA has a substantial interest in ensuring a strong, efficient, and reliable patent system that fulfills its Constitutional role of promoting the progress of science and the useful arts.[1]

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[1] The BPLA has no financial interest in any party or the outcome of this case. This brief was neither authored nor paid for, in whole or in part, by any party. Petitioners have consented to the filing of this brief through a blanket consent letter filed with the Clerk's Office on July 7, 2017. Respondents provided their consent by e-mail on August 14, 2017 and by blanket consents filed on August 11 and 30, 2017.

SUMMARY OF ARGUMENT

This case concerns whether *inter partes* review —an administrative process at the United States Patent and Trademark Office (USPTO) that was created by Congress in 2011 as a way of challenging the patentability of issued patents on grounds of lack of novelty or obviousness—violates Article III and the Seventh Amendment of the Constitution.

This brief addresses the arguments made by Petitioner and Respondents with respect to the alleged "private" and "public" nature of the rights conferred by the Patent Act (Title 35 of the U.S. Code). As both Congress and this Court's precedent make clear, patentability and validity are issues that may be adjudicated in Article III courts *or* determined via administrative procedures at the USPTO. The availability of *inter partes* review does not bar patent owners from bringing infringement actions in Article III courts, nor does it prevent patent owners from defending the validity of their patents in such courts. Rather, *inter partes* review provides an alternative (and often more efficient) forum and procedure for determining the proper scope of the patent grant, which is consistent with the carefully struck balance between public and private interests contemplated by the Constitution and by Congress.

ARGUMENT

I. PATENTS[2] ARE NEITHER PURELY PUBLIC NOR PURELY PRIVATE RIGHTS

The question presented by Petitioner and Respondents as to whether *inter partes* review violates Article III and the Seventh Amendment turns on whether patents are "private" or "public" rights. Petitioner and Respondents appear to agree that, while private rights are subject to adjudication by Article III courts, *Stern* and its precedent carve out a "category of cases involving 'public rights' that Congress could constitutionally assign to 'legislative' courts for resolution." *Stern v. Marshall*, 564 U.S. 462, 485 (2011); *see* Pet. at 18; Br. in Opp. at 10. *See also Granfinanciera v. Nordberg*, 492 U.S. 33, 51, (1989) ("When Congress creates new statutory public rights, it may assign their adjudication to an administrative agency with which a jury trial would be incompatible, without violating the Seventh Amendment's injunction that jury trial is to be preserved in suits at common law.") (internal citations omitted).

The dispute centers on which bucket of rights "patents" fall. Petitioner and Respondents each ask the Court to settle the law unequivocally in one direction or the other by applying strict categorization

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[2] As discussed further in this brief, the generalized use of the term "patents" by both Petitioner and Respondents to describe a singular body of rights is incorrect, as "patents" contemplate both public and private rights, which may be adjudicated or determined separately.

to the bundle of rights called a "patent." *Compare* Pet. at 18 ("A patent has been recognized for centuries as a private property right . . ."), *with* Br. in Opp. at 7 ("Patents are quintessential public rights."). The patent system, however, is far too complex to be reduced to this false dichotomy. In *Thomas*, this Court explained that "[t]he enduring lesson of *Crowell* is that practical attention to substance rather than doctrinaire reliance on formal categories should inform application of Article III." *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 587 (1985) (citing *Crowell v. Benson*, 285 U.S. 22 (1932)). As envisioned by the Constitution and as established by Congress through the Patent Act and subsequent statutes, including the America Invents Act (AIA), patents involve a careful balance between both private *and* public rights.

Article I, Section 8 of the Constitution establishes that Congress has the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Pursuant to its Constitutional authority, Congress created the USPTO and the patent system to provide a means for rewarding innovation with a private right of exclusion. *See generally* Title 35; *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 146 (1989) ("From their inception, the federal patent laws have embodied a careful balance between the need to promote innovation and the recognition that imitation and refinement through imitation are both necessary to invention itself and the very lifeblood of a competitive economy."); *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979) (describing the purpose

of patent law as (1) "to foster and reward invention"; (2) to "promote[] disclosure of inventions to stimulate further innovation and to permit the public to practice the invention once the patent expires"; and (3) "to assure that ideas in the public domain remain there for the free use of the public").

While the Constitution grants Congress the power to "promote the Progress of Science and useful Arts" by granting patents, "[p]atent rights exist only by virtue of statute." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 (1964) (citing *Wheaton v. Peters*, 8 Pet. 591, 658 (1834)). Title 35 of the U.S. Code sets forth those rights and how an inventor may secure them (*e.g.*, 35 U.S.C. §§ 101-212), the means available to patent owners to enforce those rights (*e.g.*, *id.* §§ 271-273), and the remedy that is provided to patent owners for infringement of those rights (*e.g.*, *id.* §§ 289-299).

Specifically, Congress established that the grant of a patent confers upon the patent owner the exclusive right to exclude others from making, using, offering for sale, or selling her patented invention for a limited period of time, among certain other identified rights of exclusion. *See* 35 U.S.C. §§ 154, 261, 271. As made clear by Congress, enforcement of the right to exclude by a civil action—in an action for patent infringement—is a private right bestowed by Congress to patent owners as part of the Patent Act. *See* 35 U.S.C. § 281 ("A patentee shall have remedy by civil action for infringement of his patent.").

Moreover, while a patent challenger may also initiate a civil action concerning a patent (for relief from an issued patent, such as an action for declar-

atory judgment of non-infringement or invalidity), the right to *enforce* the patent itself—that is, the statutory right to exclude as established by Congress—rests with the patent owner alone. It is undisputed that this private patent right has always been and is properly adjudicated solely by Article III courts. *See, e.g.*, *Markman* v. *Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996) ("there is no dispute that infringement cases today must be tried to a jury, as their predecessors were more than two centuries ago").

Inter partes review does not concern the enforcement of a private patent right against an alleged infringer. Instead, Congress specifically limited the scope of *inter partes* review to questions of patentability on grounds of lack of novelty and obviousness. *See* 35 U.S.C. § 311(b) ("A petitioner in an *inter partes* review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications."); *id.* § 102 (describing conditions for patentability; novelty); *id.* § 103 (describing conditions for patentability; non-obvious subject matter). Petitioner's claim that "*inter partes* review takes a patent infringement claim out of the jury's hands and entrusts it to bureaucrats" is thus mistaken. Pet. at 13. Although *inter partes* review proceedings may coincide with infringement actions in Article III courts, the adjudication of infringement itself is properly outside the scope of *inter partes* review.

Instead, *inter partes* review allows the public (and not just an alleged infringer) to challenge whether the subject matter of a patent is patentable under

Sections 102 and 103. Patentability of subject matter on these grounds, and the validity of an issued patent on the same subject matter, has frequently been determined by the USPTO *and* adjudicated by Article III courts.[3] Sections 102 and 103 are grounds upon which applications for patents may be rejected by the USPTO during examination. *See* 35 U.S.C. § 131. Likewise, for decades prior to implementation of the America Invents Act, the USPTO determined whether subject matter is patentable under Sections 102 and 103 in post-grant proceedings such as *ex parte* and *inter partes* reexaminations. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016) (noting that, "[f]or several decades, the Patent Office has also possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed" and describing such procedures). "Post grant reviews," including *inter partes* reviews, are merely the next iteration of post-grant proceedings. *Id.* at 2143-44 (finding that "*inter partes* review is less like a judicial proceeding and more like a specialized agency proceeding" and that its features, "as well as *inter partes* review's predecessors, indicate that the purpose of the proceeding is not quite the same as the purpose of district court litigation").

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[3] *Amicus* notes that the private right to enforce does not apply to an invalid patent. *FTC v. Actavis, Inc.*, 133 S. Ct. 2223, 2231 (2013) ("[A] *valid* patent excludes all except its owner from the use of the protected process or product," . . . . But an *invalidated* patent carries with it no such right. And even a valid patent confers no right to exclude products or processes that do not actually infringe.") (emphasis in original).

This history demonstrates that the issues of patentability and validity—which relate to the correctness of the patent grant by the USPTO and not to the enforcement of a patent owner's right to exclude—are directly tied to and derive from an extensive "federal regulatory scheme." *Stern*, 564 U.S. at 490-91. The right to challenge a patent, to determine whether the USPTO correctly examined the patent application and found that the inventor was in fact entitled to a patent under the Patent Act, is "integrally related to particular Federal Government action." *Id.*; *Cuozzo*, 136 S. Ct. at 2144 (one of the "basic purposes" of *inter partes* review is "to reexamine an earlier agency decision"). Thus, while issues of infringement may be categorized as relating to a private right, issues of patentability and validity may be categorized as relating to public rights. *See* Br. in Opp. at 14.

Acknowledging that patents include two categories of rights is consistent with the Court's precedent and with the relationship that Congress contemplated between *inter partes* review and litigation. *Inter partes* review is not a mandatory or exclusive forum for determining the patentability or validity of a patent. The creation of *inter partes* review does not bar a patent owner from litigating infringement or validity issues in an Article III court. Indeed, where a patent owner has availed herself of the Article III forum by filing a suit for infringement and litigating in that forum for more than one year, Congress expressly prohibits the institution of an *inter partes* review. *See* 35 U.S.C. § 315(b). And, even where litigation has not quite reached the one-year deadline, the filing of the petition does not necessarily force the patent owner to stay or lose her right to maintain her

infringement action in court. *See* Jim Warriner, *Measuring the Success of Motions to Stay Pending IPR*, LAW360 (June 6, 2017), https://www.law360.com/articles/928654/measuring-the-success-of-motions-to-stay-pending-ipr (in three key jurisdictions for patent infringement actions, the grant of stays pending *inter partes* review proceedings varied from 24% to 52%, and courts "frequently deny motions to stay that are filed in a relatively late stage in the litigation or close to the one-year deadline").

Given the separate rights conferred by Congress in creating the patent system, and the express limitations of *inter partes* review, there is no basis for finding that *inter partes* review violates Article III or the Seventh Amendment.

II. *Inter Partes* Review Furthers the Goal of Maintaining a Strong, Efficient, and Reliable Patent System

The importance of the balance between public and private rights, as embodied by the patent system, further weighs in support of the creation of an alternative administrative mechanism for maintaining that balance.

A patent embodies a *quid pro quo*: innovation in exchange for a limited monopoly. *Pfaff v. Wells Elecs.*, 525 U.S. 55, 63 (1998) ("the patent system represents a carefully crafted bargain that encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time."); *see also Universal Oil Prods. Co. v. Globe Oil & Refining Co.*, 322 U.S. 471, 484 (1944) ("[T]he *quid pro quo* is dis-

closure of a process or device in sufficient detail to enable one skilled in the art to practice the invention once the period of the monopoly has expired . . . ."); *Brenner v. Manson*, 383 U.S. 519, 534 (1966); *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124, 142 (2001).

The patent system is at its strongest when it maintains a fair exchange between inventors and the public. In such an environment, inventors are incentivized to file patent applications because they can expect to receive exclusive monopolies on their inventive technology. Through the filing of patent applications, the inventors disclose new and useful technical information to the public, which in turn can use this new knowledge to further contribute to the relevant field and develop new innovations. *See* U.S. CONST., art. I, § 8.

While an equitably balanced patent system is ideal, achieving a balanced patent system is a difficult task. The USPTO is actively engaged in measures to improve patent examination and patent quality, but examiners face challenges that make it difficult to efficiently and effectively examine patent claims. Examiners simultaneously struggle with having access to too much information and too little information. *See* U.S. GOV'T ACCOUNTABILITY OFF., GAO-16-883T, PATENT OFFICE HAS OPPORTUNITIES TO FURTHER IMPROVE APPLICATION REVIEW AND PATENT QUALITY 3-6 (2016). In a survey conducted by the United States Government Accountability Office, 82% of examiners said they encountered applications in which the number of references to be reviewed was excessive. *Id.* at 3. Examiners also reported that they had

difficulty accessing particular types of prior art, for example, foreign references or references that required a fee to access. *Id.* at 4, 6. The difficulty in searching for and reviewing a large volume of references is exacerbated by the time pressures. Approximately two-thirds of examiners reported that they had less time than needed to complete a thorough prior art search. *Id.* at 6; *see also* Brian Fung, *Inside the Stressed-Out, Time-Crunched Patent Examiner Workforce*, WASH. POST (July 31, 2014), https://www.washingtonpost.com/news/the-switch/wp/2014/07/31/inside-the-stressed-out-time-crunched-patent-examiner-workforce.

Because of these challenges, weak patents have been issued, and continue to issue, rewarding inventors with a monopoly to which they are not entitled. As Justice Douglas lamented in his concurrence in *Great Atlantic & Pacific Tea Co. v. Supermarket Equipment Corp.*, 340 U.S. 147, 158 (1950) (Douglas, J., concurring):

> The patent involved in the present case belongs to this list of incredible patents which the Patent Office has spawned. The fact that a patent as flimsy and as spurious as this one has to be brought all the way to this Court to be declared invalid dramatically illustrates how far our patent system frequently departs from the constitutional standards which are supposed to govern.

Reports estimate approximately five to fifteen percent of patents that are issued each year by the USPTO should not have been granted. *See* Michael D. Frakes, & Melissa F. Wasserman, *Is the Time*

Allocated to Review Patent Applications Inducing Examiners to Grant Invalid Patents? Evidence from Micro-Level Application Data, REV. OF ECON. & STATISTICS (2016), http://scholarship.law.duke.edu/faculty_scholarship/3646. More extreme estimates suggest that the number of invalid patents is higher, finding up to 28% of patents would be found at least partially invalidated if challenged. *See* Shawn P. Miller, *Where's the Innovation? An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents*, 18 VA. J. LAW & TECH. 1 (2013); Mark A. Lemley, *Ignoring Patents*, 2008 MICH. ST. L. REV. 19, 27 (2008). The USPTO's own data confirms that not all of its work product is correct. In the fourth quarter of 2016, nearly 12% of rejections based on Sections 102 and 103 of the Patent Act that were reviewed were deemed not compliant with the relevant statutes and case law. *See* USPTO, Correctness Indicator, https://www.uspto.gov/patent/initiatives/correctness-indicator#step1 (last visited August 30, 2017).

Weak patents unbalance the patent system and establish an unjust monopoly, thus undermining the critical purpose of promoting "the progress of science and the useful arts":

> Any time patents are issued which, on their face, appear to be of questionable validity, it reflects negatively on the patent system and undermines the confidence of business and consumers. While the validity of such patents may be tested through litigation or *ex parte* or *inter partes* reexamination, these proceedings all suffer substantial disadvantages.

> Litigation is very expensive . . . . According to the most recent [AIPLA] Economic Survey, the average cost of patent litigation, including the costs of discovery, ranges between $500,000 and $3,995,000 per party, depending on the amount at risk.
>
> In addition, it is only possible to test a patent's validity through litigation if the patentee brings an infringement action against a competitor or provides the competitor with standing to bring a declaratory judgment action based on threats by the patentee. Thus, a competitor cannot challenge a patent in litigation before the competitor incurs the costs and risks of developing and marketing a product.
>
> Even where litigation is available to test the validity of a patent, the recent National Academy of Sciences (NAS) report, A Patent System for the 21st Century, reported that such litigation typically does not occur until 7 to 10 years after the patent is issued and final decision is not reached for another 2 to 3 years. Until the litigation has been concluded, there is uncertainty in the marketplace and uncertainty in the technology as to the scope of the patent right.

Patent Quality Improvement: Post-Grant Opposition: Hearing Before the Subcomm. on Courts, the Internet, & Intellectual Prop. of the H. Comm. on the Judiciary, 108th Cong. 27, 29 (2004) (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association (AIPLA)).

Where a system is rife with weak patents, the public cannot freely use information that rightfully belongs in the public domain. Instead, the public must decide whether to pay for a license, risk infringement, or forgo that information entirely. Obtaining a license to such a patent dilutes resources and diverts them from technology that is covered by stronger patents. *See* FED. TRADE COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (2003), at 6, https://www.ftc.gov/sites/default/files/documents/reports/promote-innovation-proper-balance-competition-and-patent-law-and-policy/innovationrpt.pdf. Risking infringement is a gamble that could result in lengthy and costly litigation. *Id.* Finally, choosing to avoid infringement and not to obtain a license results in potentially forgoing any further research and development in the patented technology, which stifles the creation of follow-on technology. *Id.* at 5.

The interest of the public is paramount in the exchange contemplated by the Constitution and established by Congress. As this Court has explained, "[t]he true policy and ends of the patent laws enacted under this Government are disclosed in that article of the Constitution, the source of all these laws, viz: 'to promote the progress of science and the useful arts' contemplating and necessarily implying their extension, and increasing adaptation to the uses of society." *Kendall v. Winsor*, 62 U.S. 322, 328 (1859); *Pennock v. Dialogue*, 27 U.S. 1, 19 (1829) ("While one great object was, by holding out a reasonable reward to inventors, and giving them an exclusive right to their inventions for a limited period, to stimulate the efforts of genius; *the main object* was 'to promote

the progress of science and useful arts. . . .' ") (emphasis added).

This Court has consistently held that "[it] is the public interest which is *dominant* in the patent system" and "the right to challenge [a patent] is not only a private right to the individual, but it is founded on public policy which is promoted by his making the defence, and contravened by his refusal to make it." *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 401 (1947) (emphasis added) (citing *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1943), and *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 235 (1892)). Indeed, "[i]t is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another, and doubtless the primary, object in granting and securing that monopoly." *Kendall*, 62 U.S. at 327-28; *Mercoid Corp.*, 320 U.S. at 665-66 ("It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid . . . .").

The public therefore needs an efficient mechanism that is not cost prohibitive by which it can challenge weak patents and restore the equitable nature of the bargain made with inventors. Post-grant challenges, including *inter partes* review proceedings, provide that mechanism. *See, e.g., In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985), *cert. denied*, 474 U.S. 828 (1985) ("Reexamination is thus neutral, the patentee and the public having an equal interest in the issuance and maintenance of valid patents."); *Cuozzo*, 136 S. Ct. at 2144 ("*inter partes* review helps protect the

public's 'paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope' ") (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)) (citing H.R. REP. NO. 112-98, at 39-40) (2011) (*Inter partes* review is an "efficient system for challenging patents that should not have issued").

CONCLUSION

The patent system involves both private and public rights. Maintaining the well-established and carefully struck balance between those rights is vital to maintaining the integrity and strength of the system. *Amicus* thus respectfully suggests that this case does not present a question that requires the Court to alter or overturn decades of precedent or upset the federal regulatory scheme as properly established by Congress.

Respectfully submitted,

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